

**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

**ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY**

**L**

W-01583A  
Las Quintas Serenas Water Company  
P. O. Box 68  
Sahuarita AZ 85629

**ANNUAL REPORT**

ARIZONA CORPORATION  
COMMISSION

**RECEIVED**  
MAR 19 2003

Director of Utilities

**FOR YEAR ENDING**

|   |    |             |
|---|----|-------------|
| 9 | 30 | <b>2002</b> |
|---|----|-------------|

*Entered  
3-19-03  
C.M.  
2002  
assessment  
db update  
C*

FOR COMMISSION USE

**ANN04 02**

# DALE R. CALVERT, PLLC

CERTIFIED PUBLIC ACCOUNTANT

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TUCSON, AZ 85712

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Fax (520) 325-1121

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March 3, 2003

Board of Directors  
Las Quintas Serenas Water Company  
Sahuarita, Arizona

We have compiled the accompanying balance sheet of Las Quintas Serenas Water Company (a corporation) as of September 30, 2002 and 2001 and the related comparative statement of income and expense for the years then ended and the supplementary information contained in the schedule of utility plant in service, schedule of calculation of depreciation expense for the current year, schedule of supplemental financial data, schedule of property taxes and schedule of income taxes for the year ended September 30, 2002 included in the accompanying prescribed form, Water Utility Annual Report, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation is limited to presenting in the form prescribed by the Arizona Corporation Commission information that is representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of the Arizona Corporation Commission which differ from a presentation in conformity with generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.



Dale R. Calvert  
Certified Public Accountant

**Las Quintas Serenas Water Company**  
**Arizona Corporation Commission Utilities Division**  
**Annual Report**  
**For Year Ending December 31, 2002**

Note 1 - Reporting Period:

Las Quintas Serenas Water Company is a corporation which has a fiscal year of September 30 for income tax reporting purposes. The company has asked for and received permission from the Arizona Corporation Commission to report the financial information contained in the annual report using the same reporting period it uses for income tax purposes. Therefore, the financial information contained in this report is for the fiscal years ending September 30, 2002 and 2001 with the following exceptions. The information contained on the "Verification and Sworn Statement" and the "Verification and Sworn Statement - Residential Revenue" is for the calendar year ending December 31, 2002.

## COMPANY INFORMATION

**Company Name (Business Name)** Las Quintas Serenas Water Co.

**Mailing Address** P. O. Box 68

Sahuarita

(Street)

AZ

85629

(City)

(State)

(Zip)

(520) 625-8040

(520) 648-3520

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** lqswater@aol.com

**Local Office Mailing Address** P.O. Box 68

Sahuarita

(Street)

AZ

85629

(City)

(State)

(Zip)

(520) 625-8040

(520) 648-3520

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** lqswater@aol.com

## MANAGEMENT INFORMATION

**Management Contact:** \_\_\_\_\_

(Name)

(Title)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** \_\_\_\_\_

**On Site Manager:** Steve Gay

(Name)

16961 Camino de las quintas

Sahuarita

AZ

85629

(Street)

(City)

(State)

(Zip)

(520) 625-8040

(520) 648-3520

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** lqswater@aol.com

**Statutory Agent:** Steve Gay

(Name)

16961 Camino de las quintas

(Street)

Sahuarita

(City)

AZ

(State)

85629

(Zip)

(520) 625-8040

Telephone No. (Include Area Code)

(520) 648-3520

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**Attorney:** Laurence V. Robertson

(Name)

333 N. Wilmot Road, Ste 300

(Street)

Tucson

(City)

AZ

(State)

85711

(Zip)

(520) 721-1900

Telephone No. (Include Area Code)

(520) 747-1550

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

### OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) \_\_\_\_\_

### COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☐ MARICOPA

☐ MOHAVE

☐ NAVAJO

☒ PIMA

☐ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

**UTILITY PLANT IN SERVICE**

| <b>Acct.<br/>No.</b> | <b>DESCRIPTION</b>                        | <b>Original<br/>Cost (OC)</b> | <b>Accumulated<br/>Depreciation<br/>(AD)</b> | <b>O.C.L.D.<br/>(OC less AD)</b> |
|----------------------|---|-------------------------------|--|----------------------------------|
| 301                  | Organization                              |                               |  |                                  |
| 302                  | Franchises                                |                               |  |                                  |
| 303                  | Land and Land Rights                      | 14,739                        |  | 14,739                           |
| 304                  | Structures and Improvements               | 1,075                         | 54   | 1,021                            |
| 307                  | Wells and Springs                         | 260,924                       | 62,920                                       | 198,004                          |
| 311                  | Pumping Equipment                         | 142,826                       | 27,485                                       | 115,341                          |
| 320                  | Water Treatment Equipment                 | 830                           | 779  | 51                               |
| 330                  | Distribution Reservoirs and<br>Standpipes | 82,563                        | 43,491                                       | 39,072                           |
| 331                  | Transmission and Distribution Mains       | 815,524                       | 392,755                                      | 422,769                          |
| 333                  | Services                                  | 10,868                        | 9,527  | 1,341                            |
| 334                  | Meters and Meter Installations            | 85,866                        | 49,731                                       | 36,135                           |
| 335                  | Hydrants                                  |                               |  |                                  |
| 336                  | Backflow Prevention Devices               |                               |  |                                  |
| 339                  | Other Plant and Misc. Equipment           |                               |  |                                  |
| 340                  | Office Furniture and Equipment            | 16,325                        | 16,325                                       | -0-                              |
| 341                  | Transportation Equipment                  | 4,000                         | 4,000  | -0-                              |
| 343                  | Tools, Shop and Garage Equipment          |                               |  |                                  |
| 344                  | Laboratory Equipment                      |                               |  |                                  |
| 345                  | Power Operated Equipment                  |                               |  |                                  |
| 346                  | Communication Equipment                   |                               |  |                                  |
| 347                  | Miscellaneous Equipment                   | 7,674                         | 5,652  | 2,022                            |
| 348                  | Other Tangible Plant                      |                               |  |                                  |
|                      | <b>TOTALS</b>                             | <b>1,443,214</b>              | <b>612,719</b>                               | <b>830,495</b>                   |

This amount goes on the Balance Sheet Acct. No. 108 

**CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR**

| <b>Acct.<br/>No.</b> | <b>DESCRIPTION</b>                     | <b>Original<br/>Cost (1)</b> | <b>Depreciation<br/>Percentage<br/>(2)</b> | <b>Depreciation<br/>Expense<br/>(1x2)</b> |
|----------------------|--|------------------------------|--|---|
| 301                  | Organization                           |                              |  |   |
| 302                  | Franchises                             |                              |  |   |
| 303                  | Land and Land Rights                   | 14,739                       |  | -0-                                       |
| 304                  | Structures and Improvements            | 1,075                        | .05  | 54  |
| 307                  | Wells and Springs                      | 260,924                      | .05  | 13,046                                    |
| 311                  | Pumping Equipment                      | 142,826                      | .05  | 7,141                                     |
| 320                  | Water Treatment Equipment              | 830                          | .05  | 42  |
| 330                  | Distribution Reservoirs and Standpipes | 82,563                       | .05  | 4,128                                     |
| 331                  | Transmission and Distribution Mains    | 815,524                      | .05  | 40,777                                    |
| 333                  | Services                               | 10,868                       | .05  | 543                                       |
| 334                  | Meters and Meter Installations         | 85,866                       | .05  | 4,293                                     |
| 335                  | Hydrants                               |                              |  |   |
| 336                  | Backflow Prevention Devices            |                              |  |   |
| 339                  | Other Plant and Misc. Equipment        |                              |  |   |
| 340                  | Office Furniture and Equipment         | 16,325                       | .05  | 816                                       |
| 341                  | Transportation Equipment               | 4,000                        | .05  | 200                                       |
| 343                  | Tools, Shop and Garage Equipment       |                              |  |   |
| 344                  | Laboratory Equipment                   |                              |  |   |
| 345                  | Power Operated Equipment               |                              |  |   |
| 346                  | Communication Equipment                |                              |  |   |
| 347                  | Miscellaneous Equipment                | 7,674                        | .05  | 384                                       |
| 348                  | Other Tangible Plant                   |                              |  |   |
|                      | <b>TOTALS</b>                          | <b>1,443,214</b>             |  | <b>71,424</b>                             |

This amount goes on Comparative Statement of Income and Expense \_\_\_\_\_  
Acct. No. 403.

**BALANCE SHEET**

| Acct.<br>No. |   | BALANCE AT<br>BEGINNING OF<br>YEAR | BALANCE AT<br>END OF<br>YEAR |
|--------------|---|------------------------------------|------------------------------|
|              | <b>ASSETS</b>                               |                                    |                              |
|              |   | 09/30/01                           | 09/30/02                     |
|              | <b>CURRENT AND ACCRUED ASSETS</b>           |                                    |                              |
| 131          | Cash  | \$ 67,788                          | \$ 52,002                    |
| 134          | Working Funds                               |                                    |                              |
| 135          | Temporary Cash Investments                  |                                    |                              |
| 141          | Customer Accounts Receivable                | 12,367                             | 9,095                        |
| 146          | Notes/Receivables from Associated Companies |                                    |                              |
| 151          | Plant Material and Supplies                 | 6,415                              | 8,915                        |
| 162          | Prepayments                                 |                                    |                              |
| 174          | Miscellaneous Current and Accrued Assets    | 224,827                            | 240,592                      |
|              | <b>TOTAL CURRENT AND ACCRUED ASSETS</b>     | \$ 311,397                         | \$ 310,604                   |
|              |   |                                    |                              |
|              | <b>FIXED ASSETS</b>                         |                                    |                              |
| 101          | Utility Plant in Service                    | \$1,368,851                        | \$ 1,443,214                 |
| 103          | Property Held for Future Use                |                                    |                              |
| 105          | Construction Work in Progress               |                                    |                              |
| 108          | Accumulated Depreciation – Utility Plant    | 541,295                            | 612,719                      |
| 121          | Non-Utility Property                        |                                    |                              |
| 122          | Accumulated Depreciation – Non Utility      |                                    |                              |
|              | <b>TOTAL FIXED ASSETS</b>                   | \$ 827,556                         | \$ 830,495                   |
|              |   |                                    |                              |
|              | <b>TOTAL ASSETS</b>                         | \$1,138,953                        | \$ 1,141,099                 |

**NOTE:** The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.



**BALANCE SHEET (CONTINUED)**

| Acct.<br>No. |   | BALANCE AT<br>BEGINNING OF<br>YEAR | BALANCE AT<br>END OF<br>YEAR |
|--------------|---|------------------------------------|------------------------------|
|              | <b>LIABILITIES</b>                                |                                    |                              |
|              |   | 09/30/01                           | 09/30/02                     |
|              | <b>CURRENT LIABILITIES</b>                        |                                    |                              |
| 231          | Accounts Payable                                  | \$                                 | \$                           |
| 232          | Notes Payable (Current Portion)                   |                                    |                              |
| 234          | Notes/Accounts Payable to Associated Companies    |                                    |                              |
| 235          | Customer Deposits                                 | 36,748                             | 36,079                       |
| 236          | Accrued Taxes                                     | 11,713                             | 16,032                       |
| 237          | Accrued Interest                                  |                                    |                              |
| 241          | Miscellaneous Current and Accrued Liabilities     |                                    |                              |
|              | <b>TOTAL CURRENT LIABILITIES</b>                  | \$ 48,461                          | \$ 52,111                    |
|              | <b>LONG-TERM DEBT (Over 12 Months)</b>            |                                    |                              |
| 224          | Long-Term Notes and Bonds                         | \$                                 | \$                           |
|              | <b>DEFERRED CREDITS</b>                           |                                    |                              |
| 251          | Unamortized Premium on Debt                       | \$                                 | \$                           |
| 252          | Advances in Aid of Construction                   | 538,328                            | 524,150                      |
| 255          | Accumulated Deferred Investment Tax Credits       |                                    |                              |
| 271          | Contributions in Aid of Construction *            | 104,829                            | 104,829                      |
| 272          | Less: Amortization of Contributions *             | (24,503)                           | (29,745)                     |
| 281          | Accumulated Deferred Income Tax                   | 63,935                             | 62,265                       |
|              | <b>TOTAL DEFERRED CREDITS</b>                     | \$ 682,589                         | \$ 661,499                   |
|              | <b>TOTAL LIABILITIES</b>                          | \$ 731,050                         | \$ 713,610                   |
|              | <b>CAPITAL ACCOUNTS</b>                           |                                    |                              |
| 201          | Common Stock Issued                               | \$ 2,550                           | \$ 2,550                     |
| 211          | Paid in Capital in Excess of Par Value            | 5,180                              | 5,180                        |
| 215          | Retained Earnings                                 | 400,173                            | 419,759                      |
| 218          | Proprietary Capital (Sole Props and Partnerships) |                                    |                              |
|              | <b>TOTAL CAPITAL</b>                              | \$ 407,903                         | \$ 427,489                   |
|              | <b>TOTAL LIABILITIES AND CAPITAL</b>              | \$ 1,138,953                       | \$ 1,141,099                 |

\* Includes Off-site  
Improvement fees

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

| Acct. No. | OPERATING REVENUES                        | PRIOR YEAR<br>09/30/01 | CURRENT YEAR<br>09/30/02 |
|-----------|---|------------------------|--------------------------|
| 461       | Metered Water Revenue                     | \$ 243,122             | \$ 285,000               |
| 460       | Unmetered Water Revenue                   |                        |                          |
| 474       | Other Water Revenues                      | 2,170                  | 4,174                    |
|           | <b>TOTAL REVENUES</b>                     | <b>\$ 245,292</b>      | <b>\$ 289,174</b>        |
|           |   |                        |                          |
|           | <b>OPERATING EXPENSES</b>                 |                        |                          |
| 601       | Salaries and Wages                        | \$ 88,622              | \$ 93,123                |
| 610       | Purchased Water                           |                        |                          |
| 615       | Purchased Power                           | 24,868                 | 35,737                   |
| 618       | Chemicals                                 |                        |                          |
| 620       | Repairs and Maintenance                   | 11,859                 | 4,888                    |
| 621       | Office Supplies and Expense               | 6,565                  | 7,753                    |
| 630       | Outside Services                          | 13,133                 | 8,167                    |
| 635       | Water Testing                             | 3,816                  | 4,725                    |
| 641       | Rents                                     | 5,678                  | 6,124                    |
| 650       | Transportation Expenses                   | 4,552                  | 5,343                    |
| 657       | Insurance - General Liability             | 1,677                  | 1,415                    |
| 659       | Insurance - Health and Life               | 5,820                  | 5,820                    |
| 666       | Regulatory Commission Expense - Rate Case |                        |                          |
| 675       | Miscellaneous Expense                     | 6,832                  | 6,651                    |
| 403       | Depreciation Expense *                    | 62,464                 | 66,182                   |
| 408       | Taxes Other Than Income **                | 68,232                 | 12,233                   |
| 408.11    | Property Taxes                            | 16,045                 | 21,343                   |
| 409       | Income Tax                                | 1,845                  | 73                       |
|           | <b>TOTAL OPERATING EXPENSES</b>           | <b>\$ 322,008</b>      | <b>\$ 279,577</b>        |
|           |   |                        |                          |
|           | <b>OPERATING INCOME/(LOSS)</b>            | <b>\$ (76,716)</b>     | <b>\$ 9,597</b>          |
|           |   |                        |                          |
|           | <b>OTHER INCOME/(EXPENSE)</b>             |                        |                          |
| 419       | Interest and Dividend Income              | \$ 10,425              | \$ 5,840                 |
| 421       | Non-Utility Income                        | 1,272                  | 4,148                    |
| 426       | Miscellaneous Non-Utility Expenses        |                        |                          |
| 427       | Interest Expense                          |                        |                          |
|           | <b>TOTAL OTHER INCOME/(EXPENSE)</b>       | <b>\$ 11,697</b>       | <b>\$ 9,988</b>          |
|           |   |                        |                          |
|           | <b>NET INCOME/(LOSS)</b>                  | <b>\$ (65,019)</b>     | <b>\$ 19,585</b>         |

\* Depreciation \$ 67,706 \$ 71,424  
 Amortization of Contributions in Aid of  
 Construction & off-site Improvement fees. (5,242) (5,242)

\$ 62,464 \$ 66,182  
 \*\*Included Adjustment for deferred taxes of \$ 58,450 \$ 2,400

**SUPPLEMENTAL FINANCIAL DATA**

**Long-Term Debt**

|                        | <b>LOAN #1</b> | <b>LOAN #2</b> | <b>LOAN #3</b> | <b>LOAN #4</b> |
|------------------------|----------------|----------------|----------------|----------------|
| Date Issued            | N/A            | N/A            | N/A            | N/A            |
| Source of Loan         |                |                |                |                |
| ACC Decision No.       |                |                |                |                |
| Reason for Loan        |                |                |                |                |
| Dollar Amount Issued   | \$             | \$             | \$             | \$             |
| Amount Outstanding     | \$             | \$             | \$             | \$             |
| Date of Maturity       |                |                |                |                |
| Interest Rate          |                |                |                |                |
| Current Year Interest  | \$             | \$             | \$             | \$             |
| Current Year Principle | \$             | \$             | \$             | \$             |

Meter Deposit Balance at Test Year End \$ 31,404

Meter Deposits Refunded During the Test Year \$ 5,740

**COMPANY NAME** Las Quintas Serenas Water Company

## WATER COMPANY PLANT DESCRIPTION

### WELLS

|    | <b>ADWR ID<br/>Number*</b> | <b>Pump<br/>Horsepower</b> | <b>Pump Yield<br/>(Gpm)</b> | <b>Casing<br/>Depth<br/>(Feet)</b> | <b>Casing<br/>Diameter<br/>(Inches)</b> | <b>Meter Size<br/>(inches)</b> | <b>Year<br/>Drilled</b> |
|----|----------------------------|----------------------------|-----------------------------|------------------------------------|---|--------------------------------|-------------------------|
| #5 | 55-60-8531                 | 40                         | 200                         | 513-805                            | 10" - 8"                                | 4"                             | 1976                    |
| #6 | 55-60-8530                 | 75                         | 350 - 450                   | 837                                | 12"                                     | 6"                             | 1971                    |
| 7  | 55-56-6940                 | 150                        | 650 - 900                   | 910                                | 12"                                     | 8"                             | 1998                    |
|    |                            |                            |                             |                                    |   |                                |                         |
|    |                            |                            |                             |                                    |   |                                |                         |
|    |                            |                            |                             |                                    |   |                                |                         |

- Arizona Department of Water Resources Identification Number

### OTHER WATER SOURCES

| <b>Name or Description</b> | <b>Capacity<br/>(gpm)</b> | <b>Gallons Purchased or Obtained<br/>(in thousands)</b> |
|----------------------------|---------------------------|---|
| N/A                        |                           |   |
|                            |                           |   |

| <b>BOOSTER PUMPS</b> |                 | <b>FIRE HYDRANTS</b>     |                       |
|----------------------|-----------------|--------------------------|-----------------------|
| <b>Horsepower</b>    | <b>Quantity</b> | <b>Quantity Standard</b> | <b>Quantity Other</b> |
| N/A                  |                 | N/A                      |                       |
|                      |                 |                          |                       |
|                      |                 |                          |                       |
|                      |                 |                          |                       |

| <b>STORAGE TANKS</b> |                 | <b>PRESSURE TANKS</b> |                 |
|----------------------|-----------------|-----------------------|-----------------|
| <b>Capacity</b>      | <b>Quantity</b> | <b>Capacity</b>       | <b>Quantity</b> |
| 30,000 gallons       | 1               | 3,000 gallons         | 1               |
| 60,000 gallons       | 1               | 5,000 gallons         | 5               |
|                      |                 |                       |                 |
|                      |                 |                       |                 |

**WATER COMPANY PLANT DESCRIPTION (CONTINUED)**

**MAINS**

| Size (in inches) | Material | Length (in feet) |
|------------------|----------|------------------|
| 2                | Copper   | 250              |
| 3                | Transite | 240              |
| 4                | Transite | 19,840           |
| 5                | N/A      | N/A              |
| 6                | Transite | 37,793           |
| 8                | Transite | 2,760            |
| 10               | Transite | 420              |
| 12               | Transite | 1,340            |
| 2                | Plastic  | 1,550            |
| 4                | Plastic  | 4,509            |
| 6                | Plastic  | 17,510           |
| 8                | Plastic  | 1,468            |
| 12               | Plastic  | 1,950            |

**CUSTOMER METERS**

| Size (in inches) | Quantity |
|------------------|----------|
| 5/8 X 3/4        | 694      |
| 3/4              | 1        |
| 1                | 26       |
| 1 1/2            | 2        |
| 2                | 9        |
| Comp. 3          |          |
| Turbo 3          |          |
| Comp. 4          |          |
| Tubo 4           | 1        |
| Comp. 6          |          |
| Tubo 6           |          |
|                  |          |
|                  |          |

For the following three items, list the utility owned assets in each category.

**TREATMENT EQUIPMENT:**

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**STRUCTURES:**

Steel portable shed 8' x 20' (#5 well)

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**OTHER:**

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COMPANY NAME: Las Quintas Serenas Water Company

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2002**

| MONTH     | NUMBER OF CUSTOMERS | GALLONS SOLD | GALLON PUMPED<br>(Thousands) |
|-----------|---------------------|--------------|------------------------------|
| JANUARY   | 852                 | 7,093,800    | 7,479,703                    |
| FEBRUARY  | 857                 | 9,478,200    | 9,993,814                    |
| MARCH     | 862                 | 9,076,800    | 9,570,578                    |
| APRIL     | 863                 | 10,881,200   | 11,473,137                   |
| MAY       | 866                 | 15,212,000   | 16,039,533                   |
| JUNE      | 874                 | 16,355,100   | 17,365,256                   |
| JULY      | 879                 | 19,708,300   | 20,900,872                   |
| AUGUST    | 885                 | 15,206,600   | 16,154,278                   |
| SEPTEMBER | 888                 | 14,448,700   | 15,355,148                   |
| OCTOBER   | 892                 | 12,461,600   | 13,139,511                   |
| NOVEMBER  | 891                 | 12,279,100   | 12,947,083                   |
| DECEMBER  | 890                 | 10,680,800   | 11,261,836                   |
| TOTAL     |                     | N/A          | 161,680,749                  |

152882200

Is the Water Utility located in an ADWR Active Management Area (AMA)?

(xx) Yes ( ) No

Does the Company have An ADWR Gallons Per Capita Per Day (GPCPD) requirement?

(xx) Yes ( ) No

If yes, provide the GPCPD amount: 121.0

What is the level of arsenic for each well on your system. \_\_\_\_\_mg/l  
(If more than one well, please list each separately)

Well #5 11  
Well #6 14  
Well #7 13

*Note: If you are filing for more than one system, please provide separate data sheets for each system.*

**PROPERTY TAXES**

Amount of actual property taxes paid during Fiscal Year 2002 was: \$ 19,404.86

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

COMPANY NAME Las Quintas Serenas Water CompanyYEAR ENDING 09/30/2002**INCOME TAXES**

For this reporting period, provide the following:

|   |                |
|---|----------------|
| Federal Taxable Income Reported           | <u>(1,083)</u> |
| Estimated or Actual Federal Tax Liability | <u>-0-</u>     |

|   |              |
|---|--------------|
| State Taxable Income Reported           | <u>1,043</u> |
| Estimated or Actual State Tax Liability | <u>73</u>    |

Amount of Grossed-Up Contributions/Advances:

|   |            |
|---|------------|
| Amount of Contributions/Advances        | <u>-0-</u> |
| Amount of Gross-Up Tax Collected        | <u>-0-</u> |
| Total Grossed-Up Contributions/Advances | <u>-0-</u> |

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

**CERTIFICATION**

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

Steve H. Gay  
SIGNATURE

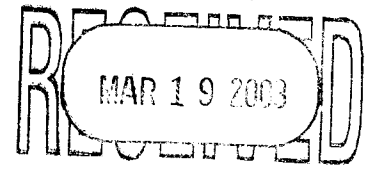
3/17/03  
DATE

Steve Gay  
PRINTED NAME

Manager  
TITLE



# VERIFICATION AND SWORN STATEMENT Intrastate Revenues Only



Director of Utilities

## VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

|                                |  |
|--------------------------------|--|
| COUNTY OF (COUNTY NAME)        | <u>Pima</u>                              |
| NAME (OWNER OR OFFICIAL) TITLE | <u>Steve Gay, Manager</u>                |
| COMPANY NAME                   | <u>Las Quintas Serenas Water Company</u> |

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

| MONTH | DAY | YEAR |
|-------|-----|------|
| 12    | 31  | 2002 |

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

## SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2002 WAS:

Arizona IntraState Gross Operating Revenues Only (\$)

s 306,097.64

(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 22,543.67  
IN SALES TAXES BILLED, OR COLLECTED

\*\*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

Steve H. Gay  
SIGNATURE OF OWNER OR OFFICIAL  
520-625-8040  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 17th DAY OF

(SEAL)

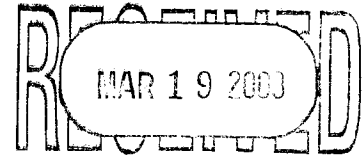
MY COMMISSION EXPIRES 10/1/05

|             |              |
|-------------|--------------|
| COUNTY NAME | <u>Pima</u>  |
| MONTH       | <u>March</u> |
| YEAR        | <u>2003</u>  |

Linda L. Long  
SIGNATURE OF NOTARY PUBLIC  
LINDA L. LONG  
Notary Public - Arizona  
Santa Cruz County  
My Commission Expires  
October 1, 2005

**VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE  
INTRASTATE REVENUES ONLY**

ARIZONA CORPORATION  
COMMISSION



Director of Utilities

**VERIFICATION**

**STATE OF ARIZONA**

**I, THE UNDERSIGNED**

**OF THE**

|   |                      |
|---|----------------------|
| (COUNTY NAME) <u>Pima</u>                             |                      |
| NAME (OWNER OR OFFICIAL) <u>Steve Gay</u>             | TITLE <u>Manager</u> |
| COMPANY NAME <u>Las Quintas Serenas Water Company</u> |                      |

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION**

**FOR THE YEAR ENDING**

|                    |                  |                     |
|--------------------|------------------|---------------------|
| MONTH<br><u>12</u> | DAY<br><u>31</u> | YEAR<br><u>2002</u> |
|--------------------|------------------|---------------------|

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

**IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2002 WAS:**

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 229,573.23

(THE AMOUNT IN BOX AT LEFT  
INCLUDES \$ 16,907.75  
IN SALES TAXES BILLED, OR COLLECTED

**\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.**

\_\_\_\_\_  
SIGNATURE OF OWNER OR OFFICIAL

**SUBSCRIBED AND SWORN TO BEFORE ME**

**A NOTARY PUBLIC IN AND FOR THE COUNTY OF**

**THIS**

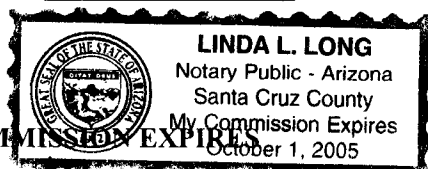
17<sup>th</sup>

**DAY OF**

|  |                |
|--|----------------|
| NOTARY PUBLIC NAME<br><u>Linda L. Long</u> |                |
| COUNTY NAME<br><u>Pima</u>                 |                |
| MONTH<br><u>March</u>                      | . 20 <u>03</u> |

**(SEAL)**

**MY COMMISSION EXPIRES**



10/1/05

\_\_\_\_\_  
SIGNATURE OF NOTARY PUBLIC

Mar 03 03 12:42p

LQS WATER COMPANY

520-648-3520

P.5

10/ 303 47 04302, 57382, 19258, 57485 303 41 04867

LAS QUINTAS SERENAS WATER COMPANY

P.O. BOX 68  
SAHUARITA, AZ 85629

BANK OF AMERICA, NA  
222 W. ESPERANZA BLVD.  
GREEN VALLEY, AZ 85614  
91-170/1221

5933

10/25/2001

PAY TO THE ORDER OF James Lee Kirk; Pima County Treasurer

\$\*\*9,702.43

Nine Thousand Seven Hundred Two and 43/100\*\*\*\*\*

DOLLARS

Pima County Treasurer's Office  
115 N. Church Avenue  
Tucson, Arizona 85701-1199

MEMO 1st Half Year Payment 2001 - Property Taxes

⑈005933⑈ ⑆122101706⑆

050⑈060212⑈

⑈0000970243⑈

OPERATING ACCOUNT

FOR DEPOSIT ONLY  
TO THE CREDIT OF  
PIMA COUNTY TREASURER  
PIMA COUNTY, ARIZONA  
412-724156

BANK OF AMERICA NA TFC  
⑈122101706⑆ E3792 01 P01  
00006412724156 11/09/01  
3250186596

**LAS QUINTAS SERENAS WATER COMPANY  
PAYMENT VOUCHER**

|          |  |       |          |
|----------|--|-------|----------|
| Payee:   | James Lee Kinks; PC Treasurer                      | Date: | 10/24/01 |
| Address: | 115 N. Church Avenue<br>Tucson, Arizona 85701-1199 | Paid: | 10/25/01 |

Account Number: refers below Invoice Number: \_\_\_\_\_

Description: Property Taxes - 1st half year pymt

[illegible]

**LAS QUINTAS SERENAS WATER COMPANY**

P.O. BOX 68  
SAHUARITA, AZ 85629

**BANK OF AMERICA, NA**  
222 W. ESPERANZA BLVD.  
GREEN VALLEY, AZ 85614  
91-170/1221

6135

4/15/2002

PAY TO THE  
ORDER OF

James Lee Kirk; Pima County Treasurer

\$ \*\*9,702.43

Nine Thousand Seven Hundred Two and 43/100 \*\*\*\*\* DOLLARS

Pima County Treasurer's Office  
115 N. Church Avenue  
Tucson, Arizona 85701-1199

OPERATING ACCOUNT

MEMO 2nd Half Year Payment 2001 - Property Taxes

⑈006135⑈ ⑆122101706⑆

050⑈060212⑈

⑈0000970243⑈

44173222 656222 5218  
135 0005  
000412734156  
BANK OF AMERICA, NA THE DEPOSIT  
122101706 03414 01-001  
06030412724156 04/17/02  
3150657230

**LAS QUINTAS SERENAS WATER COMPANY**  
**PAYMENT VOUCHER**

Payee: Beth Ford; P.C. Treasurers,  
Address: Pima County Treasurers Office,  
115 N. Church Avenue,  
Tucson, Arizona 85701-1199

**Date:** 04/03/02

**Paid:** 04/502

**Account Number:** refer below

**Invoice Number:** \_\_\_\_\_

Description: PROPERTY TAXES, - 1st half year pmt

[illegible]